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Approved For Release 2001/08/09 : CIA-RDP64-00014A000100140004-3

Attachment 1 Tab B
EDAC D-135/3

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To: The Chairman, EDAC Working Group III
From: State (EUR/RA) Members
Subject: Proposal for NATO Review of Trade Controls

Problem:

To develop a position on the JCS proposal for introducing the trade control question into the North Atlantic Council "to insure that the strategic and security aspects of this vital Western cold war instrument are accorded proper emphasis vis-a-vis economic and commercial considerations."

Discussion:

This question has already been given preliminary attention in WG III. Since that time we have consulted USRO and our Embassies in Tokyo and London.

USRO is of the opinion that the NATO Council (NAC) could if desired handle such a question, even though this question would involve Far Eastern aspects, while NATO is obviously primarily concerned with the defense of the North Atlantic Community.

USRO regards it as questionable whether other PC's would favor this proposal, particularly if they "suspect it as a U.S. maneuver to achieve over-all tightening of controls."

In the judgment of USRO, it is likely that current PC positions would be carried over into NAC. USRO does not see how strategic considerations could be effectively applied in NAC due to the fact that the only official source of military opinion is the Standing Group, where positions would have to be cleared with the U.K. and France. If the trade control question were referred to NAC, it would probably be considered by a special group set up for this purpose under the economic framework of NATO. Presumably, those assigned to this task would be COCOM representatives assisted by experts from the various capitals as at present, inasmuch as NATO delegations have no experience in this field. Therefore, USRO finds it difficult to see how a NATO review would accentuate strategic and minimize commercial considerations.

Our Embassy in London was asked to comment on this proposal, with special reference, of course, to the possible position and attitudes of the U.K. The Embassy reports that a NAC review might have had considerable merit in the past, e.g., in 1952-53 (USRO expressed reservations concerning this opinion). However, according to the Embassy, the U.K. would now probably resist an attempt to have trade controls reviewed by NAC unless the U.S. were able to present the case in such a way as to avoid the interpretation that the proposal was actually the forerunner of an effort to tighten controls. If the U.S. were prepared to enter into a strategic reevaluation, and the U.K. were convinced of this, then -- in the opinion of our Embassy -- the U.S. would unquestionably have to be prepared to accept a markedly shortened embargo list, although some new items might also be added. Our Embassy considers it possible, too, that the U.K. would take the opportunity afforded by a NAC review to introduce their thermonuclear concept. Although the U.K. has not recently introduced this into discussions, our Embassy does not regard it as a dead issue, but rather one which has been put aside owing to pre-occupation with the China trade question.

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USRO reports that although the end-product of a NATO review of trade controls might not come up to Washington expectations, NATO would in their opinion not allow such a review to become seriously divisive within that body. However, it is clear that this aspect must be viewed in the light of recent developments which have already placed a strain on NATO (Suez, U.S. military cutbacks, etc.). There is no guarantee that the trade control question, if introduced into NATO, would not become seriously divisive.

Our Embassy in Tokyo reports that Japan would be likely to take a jaundiced view toward the review proposal, for both procedural and substantive reasons. Our Embassy points out that since Japan is not a member of NAC, Japan would certainly look unfavorably upon a NAC review of trade controls, in which Japan has a vital interest. In addition to the "exceedingly important consideration of national pride", Japan considers itself in competition with the U.K. and other Western European countries for the China market. Japan would feel that the attitudes of other countries participating in the review would not be entirely uninfluenced by commercial considerations, to the possible disadvantage of Japan. Our Embassy regards it as doubtful that Japan would feel itself morally bound to accept any recommendations which might flow from a NAC review of this issue if it were not invited to participate. Our Embassy states that although Japan has cooperated with the U.S. in the question of Communist China trade, Japanese thinking has been almost unanimously in favor of the recent relaxation of China controls. Considerable interest is now being shown in the possibility of an expansion of Sino-Japanese trade. Introduction of the review proposal at this time by the U.S. would probably be regarded in Japan, according to our Embassy, as a new effort by the U.S. to reestablish a higher level of controls, and it would therefore probably be opposed.

Our conclusions, taking into consideration the above views, are as follows:

(a) A NATO review of trade controls would not be desirable at this time. It would probably be opposed by the U.K., Japan and other PC's. Receptivity to such a proposal would depend in large part on the viewpoints which we simultaneously express to other PC's on the question of revising trade controls; since our economic defense policy is currently under review, we are not now in a position to know what our views will be. A NATO review now would hold little promise of success, and, in fact, might be counter-productive.

(b) The question of holding a NATO review of trade controls at some future date need not be excluded from consideration, in case there should be some basic change in the underlying factors.

Recommendation:

That this paper be approved and transmitted with a specific endorsement of the conclusions to EDAC.

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
Washington 25, D. C.

July 31, 1957

MEMORANDUM FOR THE CHAIRMAN, EDAC WORKING GROUP III

FROM: Department of Defense Member

SUBJECT: Proposal for NATO Review of Trade Controls

Problem:

To develop a position on the JCS proposal for introducing the trade control question into the North Atlantic Council "to insure that the strategic and security aspects of this vital western cold war instrument are accorded proper emphasis vis-a-vis economic and commercial considerations."

Discussion:

Inquiries were addressed to USRO and to Embassies London and Tokyo, soliciting their views as to the feasibility of asking NATO for a review of the trade control question.

Replies now received from all three sources do not support the approach to NATO, at this time, in terms of the outgoing request for views. USRO is of the opinion that the North Atlantic Council (NAC) could handle such a question even though Far Eastern aspects are involved. All the replies, however, express doubt that other PC's would favor the proposal, largely because they would "suspect it as a US maneuver to achieve over-all tightening of controls." Also there is the possibility that the request was interpreted as involving a more extensive review by NATO than the JCS proposal intended.

It should be made clear, in the first place, that the purpose of the proposal was not to achieve a "tightening" of controls in terms of what has recently been lost, but to achieve effective collective arrangements in the field of trade controls, in which the security aspects are accorded proper emphasis and US unilateral controls experience less frustration. In the second place, the request did not envision an extensive review of the program by NATO, but desired a judgment by NATO, as the body having the primary interest in the security of a most significant part of the free world, of the impact on or contribution of the economic defense program to free world security arrangements.

Conclusion:

A. It is the position of the Department of Defense that the U.S. Government should ask the North Atlantic Council, in its political and economic reports:

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To take note of the fact that there exists a multilateral and unilateral trade control program, developed as part of the larger system of military and political alliances, with the objective of retarding the growth of the war potential of the Sino-Soviet bloc.

2. To give its consideration and advice on appropriate economic security measures which would have an impact on the Sino-Soviet bloc and would support the objectives of NATO.

B. It is further concluded that such NATO Reports and Studies as are applicable to the trade control problem should be given appropriate consideration in the CG/COCOM forum.